

Expensive Energy Prices Are Good for Everyone

Soaring gas prices are tough right now - but they could kickstart a golden era of green industrialization.

By Viktor Prokopenya

David Bowie, one of Britain's best-known music artists, once baffled Jeremy Paxman during a BBC Newsnight interview when discussing the potential impact of the internet. The pop star told a skeptical Paxman: "I don't think we've even seen the tip of the iceberg. I think the potential of what the internet is going to do to society, both good and bad, is unimaginable."

As the irascible BBC interviewer tried to argue that the digital revolution was just a "different delivery system", Bowie disagreed, adding: "I think we are on the cusp of something exhilarating and terrifying".

The interview occurred in 1999 when Mark Zuckerberg was still at a New York high school, and the late Bowie has since been heralded as a psychic.

His comments provide food for thought – and no small degree of hope – as we confront historic current pressures in the energy markets. For, as Bowie might have said, out of crisis comes great opportunity.

Russian president Vladimir Putin's decision to cut gas supply to Europe in retaliation for western sanctions has triggered a cost-of-living crisis across the world. The rising cost of energy has led to soaring inflation. Wage growth has not been able to keep pace. After decades of relative prosperity and stability, the West is now being forced to confront a world of grave political and economic risks.

But if we look to the lessons of history, there are always ways to take advantage of crises and drive more innovation.

Take the internet, as described by Bowie. It was indeed a "terrifying" invention for many. The age of Amazon, Spotify and Google contributed to the dismantling of major industries including traditional retail, music, and media, not to mention the threat to democratic processes.

Yet it also changed the way humans work, socialize, create, and share information, ultimately re-organizing the flow of people and ideas across the world.

The impact has been seismic. According to a report in 2011, the internet accounted for 21 percent of GDP growth in mature economies over the previous five years. By last year, researchers at Harvard Business School found that the internet economy had grown seven times faster than the total US economy over the past four years, accounting for 12 percent of overall GDP.

It is not just the internet. Look at the recent COVID pandemic. At one stage, this once-in-a-century event seemed so terrifying that it led scientists to predict a doubling of the final death rate, the end of cities as we know them, and a permanent ban on candles for children's birthday cakes.

But the crisis also focused the world's greatest minds, forcing them to innovate. Less than a year after the first COVID case was discovered in China, life-saving vaccines were being manufactured at scale, dramatically lessening the harmful effects of coronavirus when compared with the Spanish Flu pandemic of 1918.

Opportunities born out of crises are not just a recent development. We all know the horrors of World War Two led to the race to develop nuclear weapons. But they also drove non-lethal developments in the fields of medicine and technology that reshaped the world, including flu vaccines, radar, jet planes, computers, and penicillin.

Now, with the energy crisis, many across the West are worried whether they will be able to fill up their cars, heat their homes or feed their families this winter.

But rising gas prices could also act as a trigger for fundamental reform. Pressure for rapid energy efficiency gains is intensifying and should lead to a step-change for strategic investments in green technologies, electrification, and digitalization. The tough market conditions have even started to encourage reductions in energy consumption.

Don't forget that today's renewable energy industry was effectively born out of the last great energy crisis. In the early 1970s, the global economy was booming. Then the taps were turned off in a shock move by Middle Eastern oil producers. Despite a deep recession, economies survived, industries adapted, and investment flooded into emerging renewable energy technologies.

There is one final point to consider, which should be welcomed by all those who support democracy, justice, and the rule of law. A rapid shift to renewable energy sources such as wind, solar and hydrogen would not only help our planet. It would also reduce the leverage enjoyed by those authoritarian regimes who control large swathes of the world's fossil fuels, and who think nothing of wielding energy supply as a geopolitical weapon.

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